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Afta NAFTA Comes CAFTA
By Robert Reich

You may not have heard much about it yet, but soon you'll be hearing a lot about CAFTA, the Central American Free Trade Agreement. Like its predecessor, NAFTA, the North American Free Trade Agreement, CAFTA would reduce tariffs on trade between America and its neighbors – in this case, El Salvador, Guatemala, Honduras, Nicaragua, and Costa Rica. CAFTA is high on the agenda of the Bush administration, but already the subject of a bitter fight between American labor and business.

Full disclosure. I was Secretary of Labor during the battle over NAFTA ten years ago, and I still have the scars to show for it. Trying to sell NAFTA to a room full of unionized workers required a unique mixture of courage and plain stupidity. In the end, organized labor didn't buy NAFTA, and they don't seem to be buying CAFTA. Factory workers are worried that even more of their jobs will head south of the border.

But the reality is that most factory jobs that have left America haven't gone south. They've gone to China. Or they've been being automated – turned into computer software and robots. I don't want to minimize the pain US manufacturing workers have endured for years now, but it's not NAFTA's fault and it won't be because of CAFTA. Central American countries can export most of their goods, duty-free, to the United States right now.

In fact, the real issue surrounding CAFTA isn't about manufacturing jobs at all. It's about agriculture commodities like sugar and rice. U.S. sugar producers don't want CAFTA. They want to keep their generous government subsidies and tariffs that result in sugar prices here being three times what they are on the world market. CAFTA would open the door just a crack to much cheaper sugar imports from Latin America, and America's sugar barons won't hear of it.

As to American rice growers – yes, there are American rice growers – they get more than a billion dollars a year in subsidies from Uncle Sam. A billion dollars is more than Nicaragua's entire national budget. It's even more than the total market value of all the rice that's produced in the United States. Unless those subsidies are ended, CAFTA will flood Latin America with U.S. rice so richly subsidized by US taxpayers that Latin America's own rice-growing farmers will be forced out of business.

So you see, the issue behind CAFTA is really the same one that derailed the Doha round of global trade talks a while back: How to wean big agri-businesses off tariffs and subsidies so poorer nations can sell their food to the rich. To the extent CAFTA is a step in the right direction, it's a good idea.